

TENNESSEE REGULATORY AUTHORITY

01-00362

Sara Kyle, Chairman
Lynn Greer, Director
Melvin Malone, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

July 3, 2001

Mr. Mike Weeks, Partner
KPMG Consulting
303 East Wacker Drive
Chicago, IL 60601-5212

Dear Mr. Weeks:

On February 21, 2001 the Tennessee Regulatory Authority voted to open Docket 01-00362 "to determine the compliance of BellSouth Telecommunications, Inc.'s operations support system with state and federal regulations." In opening that docket, the Directors voted to "engage an independent third party to advise the Authority of the areas of OSS testing where it is not possible to rely on actual data or the testing done in other states and then, if necessary, engage a third party to conduct any required testing."

Subsequently, on May 15, 2001, the Authority unanimously adopted the Report and Recommendation of Director Lynn Greer, Pre-Hearing Officer, and ordered the Executive Secretary of the TRA "to select and engage a third party consultant" to prepare a report: 1) identifying the systems and processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; 2) audit BellSouth's existing Tennessee performance data for accuracy,¹ and; 3) providing recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition. The Authority stated that the recommendations for identifying the needed OSS testing shall "take into consideration the testing of OSS in other BellSouth states and the extent that the TRA can rely on such tests for Tennessee operations and identify processes that are specific to Tennessee or utilize Tennessee labor." Such processes include "hot cuts", loop make-up and provisioning information and the provisioning of line sharing and line splitting elements. The attached order provides additional details on the Authority's actions.

Once the report is submitted, the Authority will convene a hearing for the purpose of receiving testimony and evidence from the consultant and interested parties and render a decision on the OSS testing needed in Tennessee and select a consultant to perform the testing if necessary.

¹ Since the Authority is in the process of establishing generic performance standards, benchmarks and enforcement mechanisms, it would be premature to conduct such an audit at this time.

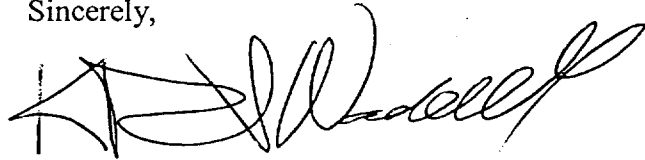
July 3, 2001

Since the Authority would like to rely on the Florida and Georgia OSS testing conducted by KPMG where possible, the most efficient course of action is to engage KPMG to prepare the above report.² KPMG's in-depth knowledge of BellSouth's OSS as well as KPMG's existing interfaces and data gathered from these other BellSouth states will help avoid any unnecessary duplication and costs in this process. As a result, the Authority has received permission from the Tennessee Department of Finance and Administration to pursue a sole source contract with KPMG.

Therefore, if KPMG is interested in acting as the third party consultant, please submit by July 11, 2001, a proposed contract for the preparing and presenting the report described above. The proposed contract should include all terms and conditions applicable to such engagement. Before finalizing the contract terms, I will schedule a meeting with representatives from KPMG, BellSouth and the TRA to discuss any disputed terms and negotiate the final terms and conditions. All three will be parties to the contract, however the engagement will be conducted under the direction and supervision of the TRA. It is our intent that the TRA Staff will actively participate in all phases of the review including the design and testing phases.

If you have any questions or if additional information is needed, please contact Joe Werner, the TRA's Chief of Telecommunications at (615) 741-2904 extension 175.

Sincerely,



K. David Waddell
Executive Secretary

Attachment

cc: Sara Kyle, Chairman
Lynn Greer, Director
Melvin Malone, Director
Charles Howorth, BellSouth

² This does not suggest, however, that the Authority will routinely accept findings from Georgia and Florida without convincing evidence. Also, any findings and recommendations from other states used in the report are expected to be re-evaluated to determine if additional data exists that justify amending the recommendation.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

MAY 3, 2001

IN RE:

DOCKET TO DETERMINE THE
COMPLIANCE OF BELL SOUTH
TELECOMMUNICATIONS, INC.'S
OPERATIONS SUPPORT SYSTEMS
WITH STATE AND FEDERAL
REGULATIONS

DOCKET NO.
01-00362

FIRST REPORT AND RECOMMENDATION
OF PRE-HEARING OFFICER

Background

Incumbent Local Exchange Companies (ILECs) such as BellSouth use a variety of systems, databases, and personnel (collectively referred to as Operations Support Systems [OSS]) to provide service to their customers.¹ At the regularly scheduled Authority Conference on February 21, 2001, the Directors voted to accomplish a series of steps in order to ensure that BellSouth provides nondiscriminatory access to its OSS. These steps would be

¹See *Application by Bell Atlantic New York for Authorization under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of New York*, CC Docket No. 99-295, 15 FCC Rcd. 3953, 3989-90, ¶ 83 (Released December 22, 1999) (Memorandum Opinion and Order) ("Bell Atlantic New York Order").

accomplished in two dockets. The first docket would establish a generic set of performance measures, benchmarks and enforcement mechanisms for BellSouth's wholesale operations. The Authority ruled on February 21, 2001 that the benchmarks, performance measurements and enforcement mechanisms adopted by the Authority in the BellSouth/DeltaCom arbitration (Docket No. 99-00430) shall serve as the starting point for this generic proceeding. Pursuant to an established procedural schedule, the parties will submit proposed changes to these standards with supporting evidence.

This docket, the second of the two established on February 21, 2001, refers to BellSouth's OSS and the ability of such systems and processes to offer wholesale services and elements in compliance with state and federal regulations.

The Federal Communications Commission (FCC) defined OSS as "consisting of pre-ordering, ordering, provisioning, maintenance and repair, and billing functions supported by an [ILEC's] databases and information. OSS includes the manual, computerized, and automated systems, together with associated business processes and the up-to-date data maintained in these systems." The FCC further propounded that OSS includes access to loop qualification information.² Consistent with this definition, the FCC found that "...access to OSS functions falls squarely within an incumbent LEC's duty

² See *Third Report and Order in the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, 15 FCC Red. 3696, ¶ 424.425 (Released Nov. 5, 1999) (Third Report and Order and Fourth Further Notice of Proposed Rulemaking) ("UNE Remand Order").

under section 251(c)(3) to provide unbundled network elements under terms and conditions that are nondiscriminatory and just and reasonable, and its duty under section 251(c)(4) to offer resale services without imposing any limitations or conditions that are discriminatory or unreasonable."³

The Tennessee General Assembly has declared that it is the policy of Tennessee to permit competition in all telecommunications markets,⁴ and that BellSouth must provide non-discriminatory access to its public network.⁵

On May 12, 1999, AT&T Communications of the South Central States ("AT&T") filed a petition (Docket No. 99-00347) asking the Authority to order third party testing of BellSouth's OSS. At the regularly scheduled Authority conference on October 26, 1999, the Directors voted to hold the petition in abeyance in order to monitor the third party testing in other states and to determine at a later date if Tennessee-specific testing would be required.

On April 24, 2000, the Authority issued a Data Request to all parties in Docket No. 99-00347, requesting the respondents to (1) identify and explain all areas where BellSouth's interfaces, systems and processes utilized in Tennessee differ from those used in other states within BellSouth's region and (2) identify what impact, if any, the Tennessee-specific differences identified in (1) would have on third party testing of BellSouth's OSS. BellSouth responded that its interfaces, systems and processes in Tennessee are the same as those used

³ *Bell Atlantic New York Order*, ¶ 83.

⁴ T.C.A. §65-4-123.

⁵ T.C.A. §65-4-124.

throughout BellSouth's region. AT&T responded that Tennessee-specific differences would require Tennessee-specific testing. MCI suggested that an objective third party should evaluate Tennessee-specific differences. Using this information, a third party should then test BellSouth's OSS to the extent that it is different from that OSS used in Florida, where the most extensive OSS testing is being done.

On December 6, 2000, the Authority issued a second Data Request to BellSouth requesting more detailed information in order to assist in determining the need for Tennessee-specific testing of its OSS. BellSouth's response on January 29, 2001 contended that its software infrastructure, including electronic interfaces and databases, is either the same or is designed to operate in an indistinguishable manner across all of its states. Nevertheless, its response revealed that some legacy systems serve only a subset of the region, and some serve only Tennessee. Some OSS processes that serve Tennessee customers are different from those that serve Georgia and Florida customers.

Recommendation

The purpose of this report is to recommend a procedure for determining if BellSouth's Tennessee systems and processes are operating sufficiently to provide wholesale services and elements to CLECs without impeding competition. It is my recommendation, as the Hearing Officer in this docket, that the Authority engage an independent third party consultant to determine

what, if any, testing of BellSouth's OSS is needed (Phase I) and conduct such testing if ordered by the Authority (Phase II).

Specifically, the selected consultant should prepare and submit to the Authority a Phase I report consisting of the following elements within an established time frame: (1) identification of the systems or processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; (2) an audit of BellSouth's Tennessee performance data; and (3) recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition. Consistent with previous decisions by the Authority, such decisions shall take into consideration the testing of OSS in other BellSouth states and the extent that the TRA can rely on such tests for Tennessee operations. The Phase I report should also identify processes that are specific to Tennessee or utilize Tennessee labor such as the process for "hot cuts."⁶

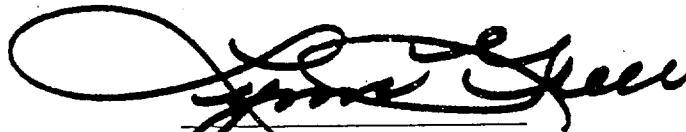
Upon completion of the consultant's Phase I report, it is my recommendation that the Authority convene a hearing for the purpose of receiving testimony and documenting evidence from the consultant and interested parties. Upon completion of the hearing, the Authority may render a

⁶ A "hot cut" is the process of transferring a working subscriber's line from one local service provider to another with minimum disruption of service.

decision on the consultant's recommendation and the need to begin actual testing of the processes ordered by the Authority.

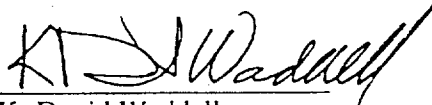
The Pre-Hearing Officer is of the opinion that since such OSS review and analysis is necessary to demonstrate BellSouth's compliance with the network opening provisions of the Federal Telecommunications Act of 1996 and to demonstrate compliance with the criterion necessary to enter the InterLATA long distance market, the cost of the consultant's report and testing, if necessary, shall be borne by BellSouth.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "H. Lynn Greer, Jr.", written over a horizontal line.

Director H. Lynn Greer, Jr.,
Pre-Hearing Officer

Attest:

A handwritten signature in black ink, appearing to read "K. David Waddell", written over a horizontal line.

K. David Waddell,
Executive Secretary